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Message Text

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50
ACTION EA-14

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03 NSC-10

PA-03 PRS-01 SS-15 USIA-15 AGR-20 SCEM-02 RSR-01

IGA-02 SSO-00 /170 W
---------- 015909
R 060915Z AUG 73
FM AMEMBSSY SAIGON
TO SECSTATE WASHDC 5576 PRIORITY

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EO 11652: N/A
TAGS: ECON
SUBJ: ECONOMIC MEASURES

JOINT STATE/AID MESSAGE

1. MINECON PHAM KIM NGOC IN TV SPEECH SATURDAY EVENING ANNOUNCED THAT GVN WILL, BEGINNING WITH AUGUST, GIVE ALL MILITARY AND CIVIL EMPLOYEES 3000 PIASTER EXTRA PAY, DESCRIBED AS ALLOWANCE FOR PURCHASE 21 KILOGRAMS OF RICE. HE SAID GVN SELLLING PRICE OF IMPORTED RICE WILL BE RESET AT 14,000 PIASTERS PER 100 KG (FOR MEDIUM GRAIN).

2. HE ALSO SAID THAT THE GVN WILL MAKE AVAILABLE CERTAIN ESSENTIAL ITEMS (NOT SPECIFIED) AT LOW PRICES FOR ALL EMPLOYEES THROUGH COMMISSARIES.

3. GVN SIMULTANEOUSLY ANNOUNCED THAT PRICES OF SUGAR AND POL PRODUCTS WILL BE RAISED. REGULAR REFINED SUGAR WILL SELL WHOLESALE FOR 500 PIASTERS PER KILO, UP FROM 295. PREMIUM GASOLINE, REGULAR GASOLINE, AND KEROSENE GO TO 105, 85, AND 50
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PIASTERS PER LITER, UP FROM 60, 57, AND "5, RESPECTIVELY. FUEL

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OIL FOR ELECTRIC POWER PRODUCTION GOES FROM 15 TO 20 PIASTERS.

4. THE ANNOUNCEMENT OF WAGE INCREASE IN GUISE OF AN ALLOWANCE TO BUY 21 KILOS OF RICE WAS GESTURE TO THOSE WHO HAVE ARGUED FOR ISSUANCE OF RICE IN KIND. ACTUALLY, 3000 PIASTERS PER MONTH REPRESENTS CONSENSUS ON LARGEST ADDITIONAL BUDGET COST THAT COULD BE TOLERATED AT THIS TIME. BUDGET INCREMENT IS ESTIMATED AS 60 BILLION PIASTERS ON ANNUAL BASIS, 25 BILLION IN 1973.

5. THE 14,000 KG PRICE OF RICE INCLUDES VAT. IT IS A SUDSIDY PRICE, SINCE DELIVERED COST PL-480 RICE IN MOST RECENT SHIPMENTS, CONVERTED AT 500 EXCHANGERATE, WOULD EQUAL AROUND 17,000 PIASTERS. SUBSIDY COST FOR REMAINDER OF 1973 WILL BE AROUND 3 OR 4 BILLION PIASTERS.

6. THE POL PRICE INCREASES ARE HIGHEST OF SEVERAL ALTERNATIVES CONSIDERED BY GVN. RECENT POL PRICE INCREASES BY OIL COMPANIES, RAISING ESTIMATED 1973 IMPORT COST TO 95 MILLION DOLLARS, WERE MAIN FACTOR INFLUENCING DECISION.

7. MINECON OFFICIALS ARE NOW PREPARED SHARPLY LIMIT GOVERNMENT SUGAR COMPANY PURCHASES AND RAISE SUGAR PRICE FURTHER IN ORDER TO CONTAIN 1973 TOTAL IMPORT COST, WHICH THREATENS TO EXCEED 70 MILLION DOLLARS.

8. MINECON NOW WORKING ON DECREE RESETTING IMPORT TAXES ON LUXURY IMPORTS.
MARTIN

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